

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 6, 1995

SUBJECT: **SB 1722 - HB 1701**

This bill, if enacted, will provide for a specific exception to franchise and excise taxes for *hospital companies* and their subsidiaries.

A *hospital company* is defined as a corporation which owns and manages 10 or more hospitals. The following applies to a *hospital company*:

1. A hospital company may elect to file a combined franchise/excise tax return with all members of its combined group - meaning that appointment and allocation of income and capital will be calculated separately and then combined.
2. The combined return is eligible for a credit equal to the lower of the combined group's franchise tax or excise tax.
3. Any remaining liability may be offset by a credit equal to 4% of the cost of medical supplies and equipment used in the state by any member of the controlled group, and
4. The combined credit under (2) and (3) above cannot exceed \$9,000,000 in any one tax year. This credit lasts for 10 years.

The fiscal impact from enactment of this bill is estimated to be a decrease in first year state revenues of \$9,000,000. The estimated cost of the tax changes would exceed \$9,000,000, but the provisions of the bill cap the credit at this amount. It should be noted that the actual loss each year is impacted by the profitability of the businesses affected.

Enactment of this bill is also estimated to result in first year recurring state expenditures of \$47,832 and one-time state expenditures of \$42,868. These expenditures are for adjustments to the TRIMS database to handle the provisions of this bill.

This fiscal note reflects the impact which is estimated to be incurred in franchise and excise taxes from tax credits as allowed in the bill and does not reflect any increase in revenues which will be realized by increased sales tax collections or any increases in other taxes which may be affected.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director